

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 USIA-06 SP-02 SOE-02 OMB-01

DOE-11 /115 W

-----123414 060754Z /11

R 060700Z MAR 78

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 9681

INFO USMISSION GENEVA

AMEMBASSY TOKYO

AMEMBASSY TAIPEI

LIMITED OFFICIAL USE SECTION 1 OF 2 SEOUL 1797

MTN FOR MOORE

E.O. 11652: N/A

TAGS: ETRD, KS, US

SUBJECT: US/ROK NON-RUBBER FOOTWEAR CONVERSATIONS

1. STEPHEN LANDE (STR) AND BERNARD ASCHER (COMMERCE) MET WITH ASSISTANT MINISTER OF COMMERCE AND INDUSTRY KIM SUN KIL AND OTHER ROKG OFFICIALS ON MARCH 4, 1978, TO CONSULT ON PROBLEMS OF THE FOOTWEAR ORDERLY MARKETING AGREEMENT (OMA).

2. ROKG EXPRESSED STRONG CONCERN OVER EXCESS PIPELINE SHIPMENTF OS 6.6 MILLION PAIRS CHARGED AGAINST FIRST RESTRAINT YEAR. EFFECT IS TO ACCENTUATE FIRST-YEAR ROLLBACK FROM 1976 TOTAL, LEAVING KOREA A TOTAL OF 26.4 MILLION PAIRS INSTEAD OF 33 MILLION. (1976 US IMPORTS WERE 44 MILLION PAIRS.) KIM RECOGNIZED THAT THIS WAS WITHIN LEGAL RIGHT OF USG UNDER TERMS OF AGREEMENT AND ACKNOWLEDGED THAT

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KOREAN EXPORT DATA SHOW SHIPMENTS OF 11 MILLION PAIRS -- AGAINST PIPELINE LIMIT OF 9 MILLION PAIRS. KIM SAID HE WAS NOT CHALLENGING THE ACCURACY OF THE US QUOTA COUNT. HOWEVER, HE APPEALED TO USG FOR SOME MEANS OF ACCOMMODATION TO RELIEVE THIS SEVERE PROBLEM ON GROUNDS THAT KOREA HAD NO IDEA THAT SOME 4.35 MILLION PAIRS WERE ALREADY IN THE HANDS OF US IMPORTERS AND WOULD BE ENTERED WITHOUT VISAS DURING THE STARTUP OF THE

OMA PROGRAM.

3. KIM SAID THAT THE RECENTLY AUTHORIZED SHIFT OF 3.2 MILLION PAIRS FROM THE K 1 CATEGORY WOULD KEEP THE K 2 QUOTA OPEN ONLY FOR ONE MORE MONTH. EVEN THE 6 PERCENT CARRY FORWARD FROM NEXT YEAR'S TOTAL PERMITTED UNDER THE OMA WOULD NOT BE SUFFICIENT TO AVOID EMBARGO OF SHIPMENTS UNDER CATEGORY K 2 BEFORE THE END OF THE FIRST RESTRAINT YEAR (JUNE 30, 1978). HE SAID THAT ROKG NOW HAD BETTER CONTROL OVER NONRUBBER FOOTWEAR EXPORTS AND THAT IF USG COULD FIND SOME MEANS OF ALLEVIATING THE PROBLEM, ROKG WOULD MAKE NO FURTHER REQUESTS OF THIS KIND UNDER THE OMA. TO SHOW THAT ROKG HAD IMPROVED ITS CONTROL OVER EXPORTS, KIM FOR THE FIRST TIME RELEASED MONTHLY EXPORT DATA, EMPHASIZING THAT A DECELERATION HAD TAKEN PLACE SINCE AUGUST. PROBLEM IS AN IMMEDIATE AND URGENT ONE FOR ROK.

4. LANDE EXPRESSED UNDERSTANDING OF THE PROBLEM AND REVIEWED THE NEGOTIATING RATIONALE FOR ESTABLISHING A PIPELINE LIMIT TO AVOID A SURGE OF IMPORT PRIOR TO THE EFFECTIVE DATE OF THE EXPORT VISA REQUIREMENT THAT WOULD HAVE DEFEATED THE PURPOSE OF THE OMA'S FIRST YEAR ROLLBACK. HE SAID THAT USG WOULD GIVE VERY SERIOUS CONSIDERATION TO THE ROKG REQUEST, BUT THAT ANY INCREASE IN PERMISSIBLE IMPORTS WOULD REQUIRE THAT TRADE ACT PROCEDURES BE FOLLOWED, INCLUDING A DETERMINATION BY THE USITC OF THE EFFECT ON THE DOMESTIC INDUSTRY IF THE LEVEL OF LIMITED OFFICIAL USE

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IMPORT RELIEF WERE TO BE REDUCED. ASCHER STATED THIS WAS A TIME CONSUMING PROCESS, CITING THAT EXCLUSION OF BEARING STEEL UNDER THE SPECIALITY STEEL QUOTAS -- A RELATIVELY NON-CONTROVERSIAL MATTER -- REQUIRED 9 MONTHS EVEN UNDER ACCELERATED PROCEDURES. US RESP ASSURED KIM THAT THE PROBLEM WOULD RECEIVE THEIR IMMEDIATE ATTENTION UPON THEIR RETURN TO WASHINGTON.

5. KIM ALSO RAISED THE PROBLEM OF HOME COVERS (CROCHETED FOOTWEAR) AND BOOT LINERS OF SYNTHETIC MATERIALS WHICH ARE INCLUDED IN THE PRODUCT SCOPE OF THE FOOTWEAR OMA. HE SUGGESTED THAT THESE PRODUCTS BE INCLUDED IN THE BILATERAL TEXTILE AGREEMENT RATHER THAN THE FOOTWEAR OMA. LANDE REVIEWED PREVIOUS DISCUSSIONS OF THE MATTER, NOTING THAT THE EFFECTS ON TWO AMERICAN INDUSTRIES NEED TO BE CONSIDERED. ASCHER ADDED THAT INCLUSION OF THESE PRODUCTS UNDER THE TEXTILE AGREEMENT WAS A LESSER PROBLEM THAN REMOVING THEM FROM THE FOOTWEAR OMA INASMUCH AS THEY WERE INCLUDED IN THE CATEGORIES SUBJECT TO THE USITC INJURY FINDING ON NONRUBBER FOOTWEAR. THUS, TRADE ACT PROCEDURES WOULD BE REQUIRED (I.E., USITC INVESTIGATION OF ECONOMIC EFFECT, PUBLIC HEARINGS, ADVICE TO THE PRESIDENT BY USITC AND SECRETARIES OF COMMERCE AND LABOR).

6. KIM ALSO RAISED THE QUESTION OF EXCLUDING FOOTWEAR SAMPLES VALUED UNDER \$250, NOTING THAT UNDER TEXTILE AGREEMENT SAMPLES ARE ISSUED AN EXEMPT VISA AND ARE NOT COUNTED AGAINST CATEGORY CEILINGS. LANDE RESPONDED THAT ALL FOOTWEAR CLEARLY DESIGNATED AS SAMPLES TO US CUSTOMS SATISFACTION ARE NOT COUNTED AGAINST THE RESTRAINT LEVEL AND ARE ENTERED FREE OF DUTY. KIM INDICATED THAT IN SOME CASES THIS REQUIRED PUNCHING HOLES IN THE PRODUCT, AFFECTING ITS APPEARANCE. US REPS INDICATED THAT NO COMPLAINTS HAD BEEN RECEIVED FROM IMPORTERS SINCE LAST SEPTEMBER AND THAT APPARENTLY THE TRADE HAD ADJUSTED TO THIS PRACTICE.

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MTN FOR MOORE

7. LANDE RAISED PROBLEM OF POTENTIAL EVASION OF OMA BY SHIPMENT OF UNFINISHED FOOTWEAR -- I.E., FOOTWEAR COMPLETELY MANUFACTURED EXCEPT FOR THE MIDSOLE AND/OR OUTERSOLES. HE SHOWED SAMPLES TO ROKG OFFICIALS, EXPLAINING THAT SUCH SHOES ARE CLASSIFIED AS PARTS OR COMPONENTS AND THEREFORE ARE NOT SUBJECT TO OMA LIMITATIONS, HENCE CIRCUMVENTING INTENT OF THE OMA. KIM ASKED FOR NAMES OF KREAN COMPANIES ENGAGED IN THIS BUSINESS AND SAID HE WOULD TAKE ACTION TO STOP THE PRACTICE. HE OBSERVED THAT NO SIGNIFICANT INCREASES OF "PARTS" SHIPMENTS HAVE SHOWN IN STATISTICS, THEREFORE PROBLEM SEEMS TO BE ONE OF "ADVERTISING" RATHER THAN ACTUAL SHIPMENT. KIM CLAIMED THAT AMATI, THE ONLY US FIRM AMONG ROK MANUFACTURERS, APPEARS TO BE THE ONLY FIRM WHICH IS NOT RESPONSIVE TO ROKG EFFORTS

TO IMPOSE DISCIPLINE. LANDE PROVIDED BROCHURE FROM ANOTHER KOREAN FIRM. ON A RELATED MATTER, INVOLVING SHIFTS FROM NON-RUBBER TO RUBBER FOOTWEAR, KIM MENTIONED THE SAMWHA CASE, IN WHICH WE HAD CALLED ROKG ATTENTION TO A LETTER BY THAT KOREAN LIMITED OFFICIAL USE

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COMPANY REQUESTING TIE-IN SALES. CUSTOMERS WERE ASKED TO ORDER CERTAIN AMOUNTS OF RUBBER FOOTWEAR (NON-OMA) PROPORTIONAL TO THEIR ORDERS FOR NONRUBBER (OMA) FOOTWEAR. KIM SAID THE LETTER WAS WRITTEN BY A SALES DIVISION DIRECTOR WITHOUT THE KNOWLEDGE OF HIGHER COMPANY OFFICIALS AND THAT THE PRACTICE WAS ENDED WHEN ROKG OFFICIALS CONTACTED THE APPROPRIATE COMPANY EXECUTIVES.

8. ALSO DISCUSSED WERE THE PROBLEMS OF MAINTAINING THE NORMAL PATTERN OF TRADE AND THAT THE US IMPORT DATA SHOWED SHARP GROWTH AND CONCENTRATION IN WORK SHOE IMPORTS ALONG WITH INCREASED UNIT VALUES AND A SHARP DECLINE IN IMPORTS OF CHILDREN'S AND INFANT'S FOOTWEAR, AS WELL AS SEVERAL OTHER PROBLEMS RAISED BY USG.

9. FURTHER DETAILS ON THESE DISCUSSIONS, TOGETHER WITH MONTHLY KOREAN EXPORT DATA, WILL BE REPORTED TO INTERESTED AGENCIES WHEN LANDE AND ASCHER RETURN TO WASHINGTON. TALKS WERE CORDIAL AND BOTH SIDES PLEDGED CONTINUED COOPERATION IN SEEKING WAYS TO IMPROVE THE OPERATION OF THE FOOTWEAR OMA.

10. LANDE ALSO DISCUSSED KOREA'S ROLE AS A PARTICIPANT IN MTN NEGOTIATIONS IN GENEVA. KIM SAID ROKG IS VERY MUCH INTERESTED IN SUCCESSFUL CONCLUSION OF MTN. HE EXPRESSED CONCERN OVER SELECTIVE APPLICATION OF IMPORT INJURY REMEDIES IN PROPOSED INTERNATIONAL SAFEGUARD CODE.

11. CABLE SENT AFTER DEPARTURE OF LANDE AND ASCHER.  
STERN

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 06 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Review Markings:**  
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